

## **MINUTES**

### **MONTANA HOUSE OF REPRESENTATIVES 57th LEGISLATURE - REGULAR SESSION COMMITTEE ON AGRICULTURE**

**Call to Order:** By **CHAIRMAN DONALD L. HEDGES**, on March 27, 2001  
at 3:00 P.M., in Room 172 Capitol.

#### **ROLL CALL**

**Members Present:**

Rep. Donald L. Hedges, Chairman (R)  
Rep. Linda Holden, Vice Chairman (R)  
Rep. Ralph Lenhart, Vice Chairman (D)  
Rep. Darrel Adams (R)  
Rep. Norma Bixby (D)  
Rep. Gilda Clancy (R)  
Rep. Rick Dale (R)  
Rep. Dave Gallik (D)  
Rep. Kathleen Galvin-Halcro (D)  
Rep. Christopher Harris (D)  
Rep. Verdell Jackson (R)  
Rep. Jim Keane (D)  
Rep. Larry Lehman (R)  
Rep. Holly Raser (D)  
Rep. Clarice Schrumpf (R)  
Rep. Frank Smith (D)  
Rep. Butch Waddill (R)  
Rep. Karl Waitschies (R)  
Rep. Merlin Wolery (R)

**Members Excused:** None.

**Members Absent:** None.

**Staff Present:** Krista Lee Evans, Legislative Branch  
Robyn Lund, Committee Secretary

**Please Note:** These are summary minutes. Testimony and  
discussion are paraphrased and condensed.

**Committee Business Summary:**

Hearing(s) & Date(s) Posted: SB 389, 3/23/2001  
Executive Action: SB 389

HEARING ON SB 389

Sponsor: Senator John Cobb, SD 25

Proponents: None

Opponents: None

Informational Witnesses:

Opening Statement by Sponsor:

*{Tape : 1; Side : A; Approx. Time Counter : 1}*

Senator John Cobb, SD 25, stated that this is an act dealing with crop insurance, allowing hail insurance to include fire insurance at the state board level. The hail insurance program was established in 1917. This simply allows the state board to do what the private carriers are already doing.

Informational Witnesses:

Ralph Peck, Department of Agriculture, is here to answer any questions.

Questions from Committee Members and Responses:

*{Tape : 1; Side : A; Approx. Time Counter : 2.7}*

REPRESENTATIVE LARRY LEHMAN asked what the vote was in the Senate committee. Senator Cobb said that there was only one vote against it.

REPRESENTATIVE LINDA HOLDEN asked if this is a group plan or an individual choice. Senator Cobb said that, right now, it is up to the State Hail Board and they only sell hail insurance. They would have to decide if they want to combine it or not.

REP. HOLDEN asked if this was something that every producer would have to do if the board decides to combine hail and fire insurance. Senator Cobb said that the board would make the decision if they combine it or not.

REPRESENTATIVE DON HEDGES asked what the condition of the hail insurance trust fund is at this date. Director Peck said that last year they had to go into the reserve fund because it was a very big hail year. It is still healthy and strong and they anticipate, as the State Hail Board, starting to build that reserve back a little bit. Mr. Boyer said that the last

actuarial report was about half a million under what the suggested reserve is at this point in time; it is right at about \$5 million. **REP. HEDGES** asked, if we add the fire insurance provision to the policy, would the reserve account change.

**Mr. Boyer** said that is something that the Hail Board will have to review. They don't anticipate that it would be a large increase.

**REP. HEDGES** asked who sits on the Hail Board and how do they get there. **Mr. Boyer** said that it is a five-member board; three of those are producers selected by the governor, the other is the state auditor and the director of the Department of Agriculture.

**Closing by Sponsor:**

***{Tape : 1; Side : A; Approx. Time Counter : 8.8}***

**Senator Cobb** stated that one of the problems out there now is that you buy hail insurance from the state, but you have to buy fire privately and it is cost prohibitive. At least give the State Hail Board the option so that the producers can buy insurance in one place.

**EXECUTIVE ACTION ON SB 389**

**Motion:** **REP. KEANE** moved that **SB 389 BE CONCURRED IN.**

**Discussion:**

***{Tape : 1; Side : A; Approx. Time Counter : 9}***

**REP. LENHART** said that he has a little trouble with this bill. He has had some contact with private insurers in his area and they feel that it is a conflict.

**REP. HOLDEN** clarified that this would be fire on crops.

**REP. LENHART** said that was correct. The federal crop insurance does include fire and many farmers carry that federal crop insurance. The word that he has gotten from his district is that it takes away business from the private sector.

**REP. WAITSCHIES** thinks it is a good idea. The only problem he has with it is that if it is coupled with hail insurance and the premium doubles it could really hurt the producers.

**REP. GALVIN-HALCRO** asked if you wouldn't still have the option to get hail insurance and fire insurance from different providers.

**REP. WAITSCHIES** said that he liked to use state hail insurance because it is a couple percentage points lower.

**REP. JACKSON** said that it was his understanding that they weren't coupled and you could buy them separately or together.

**REP. HEDGES** replied that this bill allows the Hail Insurance Board to decide whether they want to carry it. They then could decide whether it would be in combination or separate and what the premium would be. This bill simply gives them the authority to proceed. **Senator Cobb** commented that the board is responsible to the producers. They have to take care of how they are competing. The free market should keep it in place. **REP. HEDGES** asked if they will implement the program to see if it works or will they come forward with a policy that the producers vote on before they implement it. **Senator Cobb** said that the producers won't get to vote.

**REP. ADAMS** asked, if this passes, will you be able to purchase just the hail or the combination, or will you not have the choice. **Senator Cobb** said that the option is left up to the State Hail Board.

**REP. HOLDEN** asked about the federal fire insurance. **Senator Cobb** said that the question is, can you just buy it from the one place. This is just to give the Hail Board the option to sell fire because everybody else is selling hail and fire at the same time. **REP. HOLDEN** asked if that would raise the price. **Senator Cobb** said that if the members don't want to buy it, that will stop it real quick. If the cost goes way up, then people will go to the private sector.

**REP. WAITSCHIES** asked for an idea of the cost. **Director Peck** said that, based on the research they have done, there are between one and three fore losses per year on very small acreage. It isn't a big cost to the Hail Board.

**REP. WAITSCHIES** commented that he will support the bill.

**REP. SMITH** asked, if the federal insurance offers fire insurance, what is the difference if the state offers it. **REP. HEDGES** said that it is a matter of policy. This isn't the only place where you can get fire insurance. He will vote against this simply on the philosophy that we don't need to be in the fire insurance business at this time since other options are available.

**Motion/Vote:** **REP. KEANE** moved that **SB 389 BE CONCURRED IN**. **Motion carried 11-8 with Adams, Clancy, Dale, Hedges, Holden, Lehman, Lenhart, and Schrupf voting no.**



**ADJOURNMENT**

Adjournment: 3:45 P.M.

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REP. DONALD L. HEDGES, Chairman

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ROBYN LUND, Secretary

DH/RL

**EXHIBIT** (agh69aad)